

Message Text

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16

ACTION EA-09

INFO OCT-01 EUR-12 IO-10 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 PA-01 PRS-01 AGR-05 /106 W

----- 015493

R 070714Z OCT 75

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 6689

INFO USDEL MTN GENEVA

USMISSION OECD PARIS

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

AMCONSUL BRISBANE

AMCONSUL MELBOURNE

AMCONSUL PERTH

AMCONSUL SYDNEY

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SYDNEY ALSO PASS TRADE CENTER

E.O. 11652: NA

TAGS: EFIN, AS

SUBJ: RESERVE BANK OF AUSTRALIA RAISES STATUTORY RESERVE

DEPOSIT (SRD) RATE TO 6.6 PCT.

REF: CANBERRA 6048

1. RESERVE BANK OF AUSTRALIA ANNOUNCED OCTOBER 3 THAT EFFECTIVE NOVEMBER 5 THE SRD RATE WOULD BE INCREASED BY ONE PERCENT TO 6.6 PCT. THIS ACTION FOLLOWS ONE PERCENT INCREASE SEPTEMBER 6 AND PREVIOUS INCREASES IN JULY AND AUGUST.

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2. COMMENT: LATEST INCREASE NOT EXPECTED IN VIEW

CONTINUING HIGH BANK LIQUIDITY. M1 REPORTEDLY ROSE AT AN ANNUAL RATE OF 24 PCT., AFTER SEASONAL ADJUSTMENT, IN THE THREE MONTHS TO AUGUST, WHILE M3 ROSE AT A 22 PCT. RATE, AS AGAINST A GENERALLY ASSUMED TARGET OF ABOUT 20 PCT. BANK HAS ALSO STATED INTENT TO ADMINISTER BANKING POLICY SO THAT THE "LIQUIDITY OF BANKING SYSTEM WOULD BE SUFFICIENT TO ENABLE BANKS TO MEET IMMEDIATE NEEDS OF ECONOMY, WITHOUT BEING TOO ACCOMMODATING TO INFLATIONARY DEMANDS." BECAUSE OF RECENT CHANGES IN PATTERN OF CORPORATE TAX COLLECTIONS, SEASONALLY ADJUSTED RATE TENDS TO UNDERSTATE THE REAL RATE OF EXPANSION IN VOLUME OF MONEY. IN MAKING ANNOUNCEMENT OF RATE INCREASE, BANK GOVERNOR KNIGHT REPORTEDLY STATED THAT IN AUGUST BANKS LIQUIDITY ASSETS AND GOVERNMENT SECURITY HOLDINGS WERE EQUIVALENT TO 26.8 PCT. OF DEPOSITS (WITH LITTLE OR NO SIGN OF CHANGE FOR SEPTEMBER) AND THAT ACTION WOULD ABSORB ABOUT \$A140 MILLION (\$US176.4 MILLION AT CURRENT RATE OF 1.26 \$US TO \$A1).

PERCIVAL

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Message Attributes

Automatic Decaptioning: X
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Draft Date: 07 OCT 1975
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Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Review Date: 28 MAY 2003
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Margaret P. Grafeld
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EO Systematic Review
06 JUL 2006

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TAGS: EFIN, AS
To: STATE
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